

SOCIAL, ETHICS, TRANSFORMATION AND SUSTAINABILITY

**ESTABLISHED IN MARCH 2012
IN COMPLIANCE WITH THE
REQUIREMENTS OF THE COMPANIES
ACT 71 OF 2008, THIS COMMITTEE
OPERATES IN TERMS OF A FORMAL
MANDATE, WHICH CONTAINS
DETAILED PROVISIONS RELATING
TO ITS TERMS OF REFERENCE,
DUTIES, COMPOSITION, ROLE AND
RESPONSIBILITIES.**



Composition

The committee comprised the following directors:

- Keith Getz, (chairman), non-executive director
- Maud Motanyane, independent non-executive director
- Daisy Naidoo, independent non-executive director
- Stuart Bird, chief executive officer (CEO)

In addition, all board members are permanent invitees to the meetings, with the invitation regularly being taken up by several directors including the board chairman.

The following senior executives are permanent attendees at the meeting:

- Mark Blair, chief financial officer (CFO)
- Verna Botha-Richards, head of corporate services and sustainability
- Russell van Rensburg, group people executive
- Sherene Moodley, chief audit executive
- Janis Cheadle, company secretary and head of governance

Role

The committee is responsible for assisting the board to monitor and report social, ethical, transformational and sustainability practices consistent with good corporate citizenship and assisting the group to discharge its business responsibilities. Statutorily, the committee is responsible for monitoring the group's activities, as per the Companies Act, with regard to:

- social and economic development;
- good corporate citizenship;
- environment, health and public safety;
- consumer relationships and
- labour and employment practices.

The committee mandate can be viewed on the group's website www.mrpricegroup.com.

Annual report of the committee

The committee met four times during the year as required by its mandate. The key matters considered and reported to the board include:

- oversight of the group's Business Code of Conduct and Supplier Code of Conduct;
- monitoring and assessing the group's transformational progress, including consideration of the Employment Equity Act, Broad-Based Black Economic Empowerment Act and the supporting Codes of Good Practice. The committee's monitoring is supported by the employment equity and skills development committee and the people division board;
- monitoring and assessing group compliance with applicable legislation and the Codes of Good Practice including anti-corruption legislation, in conjunction with the audit and compliance committee and
- monitoring the group's environmental and social sustainability strategy and execution including the corporate social investment (CSI) initiatives undertaken by MRP Foundation. The details of the programmes undertaken can be located on the website www.mrpfoundation.org.

An evaluation of the effectiveness of the committee and the performance of its members was included in the comprehensive board review process undertaken during the year. The board is satisfied with the leadership offered by the committee chairman and performance of its members and believes it is appropriately monitoring all relevant issues in terms of its mandate and the additional responsibilities delegated by the board.

The committee chairman will be available at the annual general meeting (AGM) to answer questions relating to the committee's statutory obligations.



Commitment to shared value

Creating shared value means building social and environmental imperatives into the business strategy and ways of working (the business culture) to create better relationships and ultimately do better business.

The group's purpose is to offer value to customers which then allows the group to unlock worth to partners. The unlocking of the worth to partners has a multiplier effect on customers as well as building the market, which in turn facilitates future sales and growth opportunities. In summary, by providing worth to the lives of partners, the business ensures the value offering to customers is enhanced thereby contributing to the business's sustainability.

In recent years the commitment to shared value has been extended to the supply chain where there has been increased focus on building sustainable, competitive and efficient value chains. While there is a focus on the group's global value chain, South Africa has been prioritised and innovative solutions are being tested with local key suppliers and in partnership with other organisations and relevant government departments.

sought-after international employer. By creating an employee value proposition, our aim is to attract, develop and retain global top talent who aspire to an exciting career in fashion retail.

Capacity building

Driven by the ambitions of our group to grow both locally and internationally, we continuously invest in the development of human capacity. We pay high attention to creating workplaces consisting of vibrant, energised and motivated associates encouraged to go beyond the ordinary, believing every successfully motivated and developed associate reinforces the group's competitiveness in the global retail arena.

While we strive to grow, develop and retain our own talent, we are also constantly searching for people who enjoy working in a fast-paced, progressive and changing environment and who thrive on high performance. This approach is consistent across our international locations and is reflected in our human capital management practices.

We continue to give full attention to executive succession plans and the growth of our leaders. Focused classroom, e-learning and on-the-job training is provided and encouraged for all associates. With improvements in processes, systems and technologies, extensive training is conducted on new ways of working.

Associate engagement

Inspired by our core values of Passion, Value and Partnership, our energetic and entrepreneurial culture continues to be central to the group's successful performance. We monitor and respond to the climate within our working environments, closely using independently conducted surveys. Our group-wide culture survey is followed by feedback sessions designed to listen to the needs of associates, create solutions and identify business improvement and leadership development opportunities.

SOCIAL

Our People

The group's strategic competitive advantage with regard to people has been built on our strong culture. People who are driven by passion, guided by value and committed to partnership have enabled our success as an organisation. We strive to be a first-choice destination for retail talent and a



Direct communication with associates occurs through frequently held “Comm Times” and regular internal television broadcasts. Digital communication platforms have been enhanced to ensure associates have access to engaging content related to their employment experience with the company. A key emphasis is placed on communication with new associates to ensure they have access to the information needed to set them up for success. Close working relationships between managers and associates are valued with importance placed on providing associates with information relating to their work performance and career management.

Performance recognition and reward

Central to our values is to reward high performance and instil a culture of celebration and recognition. Our group thrives on happy, motivated employees. We incentivise and reward generously for exceptional performance, strongly encouraging the achievement of personal goals. Well-defined incentive targets are set annually with performance discussions conducted as required during the year. All associates within the Southern African Customs Union (SACU) region are invited to participate in the Mr Price Group share or share option schemes after fulfilling the specific employment tenure requirements of that scheme. As these employees are part-owners in the company, we refer to them as partners or associates. Further details are contained in the remuneration report on pages 57 to 74 and on the group’s website.

We use every opportunity to celebrate team or personal achievements and reinforce the spirit of performance. Group results are presented to associates bi-annually. A highlight is the award of the Mr Price Group “Running Man” statue presented to selected associates who have made extraordinary contributions over an extended period. These highly valued individuals embody the group’s culture and core beliefs and demonstrate consistently high dedication and performance. Additionally, the Mr Price Group medallion is awarded to associates who have delivered

exceptional performance or innovation during the year, thereby setting new standards and becoming role models.

Human capital management (HCM) policies and systems

Our HCM policies are designed to contribute to the motivation and retention of our people and are easily accessible to all associates. Specific HCM policies are reviewed as required and a full policy review is conducted every two years. We continue to transform our HCM capabilities to cater for our growth and people development by seeking to optimise our workforce management, learning management, employee administration, human resource (HR) business intelligence and payroll systems.

Significant progress has been achieved in improving employee administration efficiencies across HR/payroll functions by implementing the mrpFlow project, a bespoke employee administration tool that has significantly improved data accuracy and user experience. mrpForms, a digital employee administration platform, has drastically reduced on-boarding time and is now being used across all divisions in South African stores and will be rolled out to all group departments and foreign stores in the 2018 financial year.

An in-depth review of the applicant tracking system (ATS) and learning management system (LMS), Cornerstone, was conducted and found to be the most suitable system for our needs. This includes pre-hiring, on-boarding, training, development and performance tracking. We shall continue to improve on business intelligence solutions that provide people managers with relevant human capital metrics and facilitate accurate cost analysis, decision-making and risk mitigation.

Turnover at senior management and executive levels is low, indicating the group’s ability to retain key associates. Our stringent pre-employment assessments for store and key positions, including numeracy and behavioural attributes, ensure the required skill levels are maintained.

Associate development

Talent acquisition

Developing and retaining “home-grown” talent is a strategy that has served the group well and will continue to be our core focus area. However, sourcing the right retail skills externally is increasingly important and we constantly search for and attract top talent through our ability to offer an outstanding training ground for career retailers, a compelling working experience and the promise of exciting future company growth.

To achieve this, we profile our employment proposition to potential associates through the website and social networking platform or via direct involvement with schools, colleges and universities. Internationally we partner with service providers in the search for top talent, but maintain the responsibility for socialising new associates into our culture and ways of working.

New associates attend induction programmes introducing their job-specific requirements and we use this opportunity to introduce the core values and the benefits of belonging to an exciting working environment.

Career and personal development

We offer outstanding career opportunities and associates are actively encouraged to pursue their ambitions within our dynamic and evolving working environments. Business growth and new skill requirements frequently creates new roles associated with organisation and infrastructure improvements. Most roles are filled internally, drawing from the pool of retail talent across the group.

Personal growth and career development is discussed with each associate annually. Line managers are responsible for ensuring these discussions result in meaningful development plans.

Management and leadership development

The group recognises and rewards leadership innovation and leaders are encouraged to be forward thinking in their approach while also building high performing teams with positive and constructive attitudes. We encourage an entrepreneurial mindset among managers as the foundation of the group’s success as a progressive retailer and employer.

The growth and development of our leaders and managers is supported by personal and career development discussions, leadership assessments, the creation of personal development plans and regular performance feedback. Succession planning is actively encouraged in all divisions to ensure the constant availability of high quality managers and executives.

We partner with credible training organisations and business schools, locally and internationally, to design and run programmes catering for peer group needs in the demands of our busy day-to-day working environments.

Our productive relationship with the Wholesale and Retail Sector Education and Training Authority (SETA) has led to numerous managers being selected for the SETA’s International Leadership Development Programme. Mr Price Group has five successful associates, all from previously disadvantaged backgrounds, selected for the 2017/8 programme.



Talent development

Recognising that attracting, developing and retaining world-class retailers is critical to our competitiveness and long-term sustainability, we strive to improve the quality and delivery of training through our MRP Academy. The academy's success is founded on the specialist learning and development programme managers working closely with our faculty of internal small and medium enterprises (SME) that is instrumental in developing and facilitating business-focused learning interventions.

Our well supported trainee buyer and planner programmes ensure a solid pipeline of critical merchant skills. We will extend the trainee programme into stores next year to build our pipeline of store managers.

Learnerships form a critical part of the development strategy, build our talent pipeline and give associates opportunities to gain a formal qualification. We currently have 229 associates registered on various learnerships, 92% of whom are from previously disadvantaged backgrounds.

We are currently rationalising our e-learning content for shorter, more focused interventions as this is a more effective way of delivering knowledge. All new courses and updates can be delivered across multiple platforms including mobile, effectively decreasing the number of hours allocated to training this year.

Key Achievements in Talent Development	2017	2016	2015	2014
Investment in learning and development	R37 288 003	R34 783 011	R38 469 092	R33 775 854
Total annual number of hours allocated to learning	200 623	232 437	159 276	230 973
Average learning and development days per person	1.4	1.8	1.2	2.5
Previously disadvantaged individuals as a percentage of total participants in learning and development	95%	94%	95%	90%
Females as a percentage of total participants in learning and development	74%	73%	72%	69%
Previously disadvantaged associates as a percentage of total of associates trained through e-learning	97%	97%	97%	94%
Previously disadvantaged associates as a percentage of associates on learnerships	92%	93%	97%	92%

Employee relations

Treating our associates fairly is at the heart of our company's values. We are committed to a workplace free from discrimination, compliant with all relevant labour law and centred on open communication channels between managers and associates. This ensures workplace grievances are avoided or speedily resolved. The company has maintained a low referral rate to the Commission for Conciliation, Mediation and Arbitration (CCMA) and has an excellent success rate for matters arbitrated.

Employment legislation

The group complies with all relevant South African labour legislation with attention currently given to equal pay for work of equal value. This will identify and mitigate risk and stay abreast of case law developments.

Specialist employee relations practitioners guide our line management in interpreting and applying legislation in the workplace. Internationally we partner with local firms to conduct research into employment practices to ensure compliance as required by individual countries. We have maintained active membership of the National Retail Association that facilitates representation to the National Economic Development and Labour Council (Nedlac) and participate in discussions of national interest.

Wellness

Group wellness initiatives, facilitated through our wellness forum, are an important part of our culture, providing associates with access to services promoting individual health and well-being.

A key initiative this year was delivering a financial wellness programme for all support centre associates. An e-learning version of this programme is planned for delivery in the 2018 financial year.

On-site health screening is available at our support centre through our nursing provider and these services, including HIV testing, are offered at store

level. Currently we have 2 621 associates covered by medical aid that includes a low-cost entry-level medical plan for store associates.

Health and safety

Safe working practices are encouraged throughout our businesses and monitored. In the year under review, 61 work-related accidents occurred with no major accidents reported involving associates.





Our Community - Corporate Social Investment (CSI)

The group re-invests 1% of net profit after tax into the communities in which it operates by a donation to MRP Foundation. This registered non-profit organisation (NPO) focuses on youth development with the vision of young people breaking the cycle of poverty and inequality by reaching their full potential. Key focus areas are education (MRP Foundation Schools) and skills development (JumpStart).

Key achievements of MRP Foundation	2017	2016	2015	2014
Group Donation to MRP Foundation	R22 259 933	R27 560 965	R21 726 130	R13 589 090
% of MRP Foundation funded by Mr Price Group	66%	74%	60%	63%
MRP Foundation funds invested into education	R14 755 143	R12 098 100	R19 369 892	R8 658 658
MRP Foundation funds invested into skills development	R15 800 069	R19 014 444	R12 927 683	R7 927 014
Previously disadvantaged individuals as a percentage of total participants in programmes	100%	100%	99.9%	100%
Number of learners who have benefited from MRP Foundation school programmes	36 395*	65 236	60 727	48 217
Number of young adults who have benefited from MRP Foundation JumpStart programmes	4 913	3 687	3 697	1 520
% JumpStart programme participants placed into jobs	41%	49%	60%	75%

* Now in four regions only.



MRP Foundation

MRP Foundation finds strategic solutions to positively impact South Africa's socio-economic landscape through relationship building with key stakeholders around education and skills development. For further information on the activities of MRP Foundation, refer to www.mrpfoundation.org.

MRP Foundation Model



MRP Foundation Schools - Creating educational environments where learner potential is unlocked.

Currently 36 395 learners are impacted daily through MRP Foundation school programmes. In 2014 a strategic decision was taken to narrow the focus from eight regions down to four to have deeper impact, hence the reduction in annual impacts.

MRP Foundation's approach to holistic school development involves building staff capacity and supporting the running of a well-functioning government school. This includes teacher development in content knowledge and curriculum delivery, development of school leadership to ensure good governance and involving parents and the community and create a successful learning

environment. The sustainability of quality education is prioritised.

MRP Foundation views the development of a child within the school context as broader than academic development. The programme thus addresses additional development areas like creative, physical and relational needs through interventions in arts and culture, sports and physical education, physical environment, educational technology, life skills and work readiness. All programme components are aligned and complement the Curriculum Assessment Policy Statement (CAPS) as the national curriculum.

MRP Foundation Schools Model





The foundation's partnerships with the group and selected local suppliers unlock this potential. Since inception, 728 production candidates have been trained with a 95% employment rate and 60 pre-production candidates trained with a 73% employment rate. In addition 114 managers from suppliers have completed the lean management skills programme and each participating firm implemented key best practices projects.

Based on an independent benchmarking database, JumpStart suppliers have grown significantly since 2012 and there has been a general operational performance improvement in all areas, most notably in absenteeism (down 23%), labour turnover (down 24%) and machine breakdowns (down 35%).

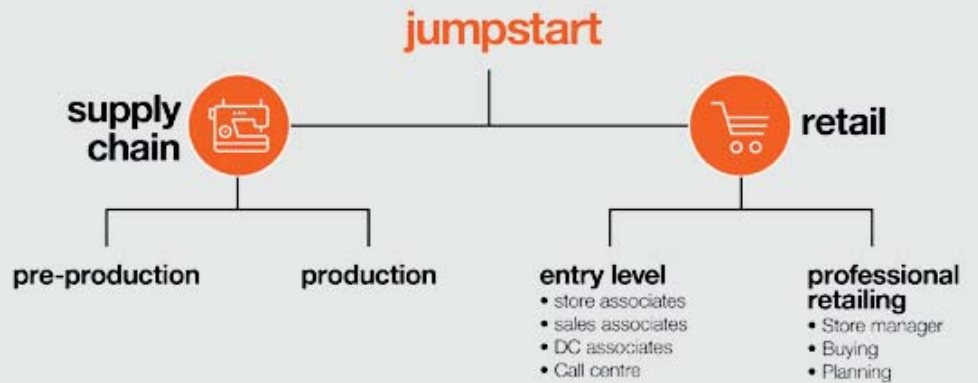
A full social return on investment (SROI) assessment was carried out to assess the programme's wider impact. All investment and value derived are taken into account regardless of whether there is an associated monetary value for example time spent moving from below to above the poverty line. This enabled a deeper understanding of the underlying value and sustainability of the programmes and justifies the investment and prioritisation of resources. The results were:

Production programme:
generated R6.50 of value for every R1 invested

Pre-production programme:
generated R5 for every R1 invested

The JumpStart retail programmes develop the skills of unemployed youth to become employable in the local retail sector at entry-level positions like store associate, sales associate, distribution centre associate and call centre associate.

MRP Foundation JumpStart Model



Since inception, 22 188 delegates have been trained. 10 278 delegates have been placed into jobs.

In the past year 4 913 delegates completed work experience and 2 023 were employed into various employment contracts with the group. Greater attention was paid to improving the calibre of candidates in the past year, contributing to the lower number of candidates completing work experience compared to previous targets.

Due to the ongoing need for critical retail skills including buyers, planners and store managers/retailers, a professional retailers programme was launched this year with 24 graduates participating.

The SA SME Fund

The CEO's Initiative SME workstream, led by Adrian Gore (Discovery) and Brian Joffe (Bidvest), has brought together experts in the public, private and non-profit sectors to explore solutions to South Africa's high unemployment. SMEs have the potential to create jobs at the rate required and it is thus nationally important to work together to stimulate SME development. The SME Fund aims to create a substantial fund co-investing with accredited fund and investment managers. The fund will provide high-potential SME entrepreneurs and enterprises access to a strictly-governed ecosystem, comprising proprietary networks of accredited funders and best-of-breed mentors and professional services firms. Mr Price Group invested R1m in the 2017 financial year.



Skills development for unemployed youth

This programme focuses on work readiness by participating in foundation skill programmes aimed at the entry-level skills required by retail operations and the supply chain. It bridges the gap between post-schooling and the working world. Candidates who successfully complete the programme have the potential to access employment opportunities in the group as well as other participating companies with access to the database of employable people.

The JumpStart supply chain programmes address the skill needs of the manufacturing sector and builds sustainable business environments to create job opportunities for unemployed youth.



ETHICS

Ethical behaviour

Ensuring ethical behaviour is widely practiced and demonstrated is important to the sustainability of our group culture. Each new associate and director acknowledges the Business Code of Conduct when joining the group. Senior and other selected associates complete an annual declaration in which compliance with the code is confirmed and any external interests or relationships potentially giving rise to a conflict of interest are disclosed. The group has a confidential, independently-managed toll-free number for reporting suspected fraudulent activity or unacceptable behaviour. Associates are encouraged to be alert to fraud or unacceptable activity and immediately report incidents and unethical behaviour. The intranet includes a link to the Whistle Blowers webpage with details on how to report incidents or concerns. The website indicates associates' identities are not revealed when reporting wrongdoings and there is no retaliation. Internal audit investigates these reports, while this committee monitors matters relating to ethical conduct.

Anti-corruption

The Mr Price Group Code of Conduct prohibits bribes or facilitation fees and associates, contractors, sub-contractors and third parties with whom the group conducts business are always required to comply with the applicable laws, regulations and internal codes, policies and business rules. Training for employees and the board of directors on anti-corruption is available through induction programmes. The group has an anti-corruption programme applicable to all non-controlled persons or entities providing goods or services under contract. The committee monitors the anti-corruption programme and no employee suffers demotion, penalty or other reprisals for raising concerns or reporting violations.

Anti-competitive practices

In terms of the Business Code of Conduct, the group is committed to competing fairly in the marketplace and undertakes not to enter into collusive arrangements with competitors or suppliers that prejudice customers, suppliers or competitors or interfere with free competition. Associates and suppliers must adhere to the group policies and codes of conduct.

Element	Weighting Points	Points
Ownership	25	10.93
Management control (includes employment equity)	19	5.44
Skills development	25	10.86
Enterprise and supplier development (includes preferential procurement)	40	20.53
Socio-economic development	5	5.00
Total points	114	52.76
Compliance level achieved	(45 – 55 pts)	Level 8

Ownership

The group's international shareholding of 43.2% negatively affects the local ownership points. All associates are afforded the opportunity to share in the group's success by participating in the various share schemes. Participants in the Partners Share Scheme hold 4.5m shares and received dividends of R22.3m during the year – refer to the remuneration report on pages 57 to 74 for additional information.

Skills development - associates

Refer to the talent development section on page 40.

Skills development - unemployed learners

The group's strategic partnership with MRP Foundation provides the training ground for the work experience portion of the programme and the skills module is delivered by MRP Foundation.

Employment equity (EE)

The group recognises the value in diversity and the need for its workforce to be representative of the national and regional demographics of South Africa. It is therefore committed to employing and developing people from designated groups to further its EE objectives. The group's philosophy is to encourage all associates to achieve their full potential by applying for and securing growth opportunities within the group as these arise.

Those with potential to attain top management positions and meet the needs of succession plans are invited to attend internal and external leadership programmes providing relevant business exposure and highlighting development areas. This assists in attaining the EE goals set for various occupational levels. The group EE plan ended in March 2017 and another EE plan for 2020 has been finalised and will be implemented. This plan is supported by targeted strategies and affirmative action measures supporting transformation and progress is monitored through regular reporting.

The committee reviews and assesses, while the board ratifies, appropriate EE goals and targets. A new EE committee has been convened with improved top and senior management representation as well as critical and core positions across the group. The intention is to drive the transformation agenda and enable the achievement of the 2020 EE goals. The committee meets regularly to discuss EE progress, identify and recommend steps to overcome barriers to affirmative action and ensure adherence to relevant legislation.

TRANSFORMATION

Broad-Based Black Economic Empowerment (B-BBEE) Commitment

The group is committed to meeting the B-BBEE requirements. The significant changes introduced under the Revised Codes of Good Practice triggered self-assessment and a strategic realignment this year.

The group achieved the targeted Level 8 Compliance. Further improvements to attain Level 7 Compliance have been set.

Social, Ethics, Transformation and Sustainability Committee Report (continued)



TOTAL WORKFORCE PROFILE - MARCH 2017

Occupational levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	2	-	-	20	-	1	1	8	-	1	33
Senior management	3	-	13	46	1	6	11	65	3	2	150
Professionally qualified	45	17	78	113	45	31	89	169	5	6	598
Skilled technical	565	127	145	97	1 606	612	307	378	7	10	3 854
Semi-skilled	2 469	355	124	20	6 998	1 345	354	87	11	24	11 787
Unskilled	37	1	10	-	64	9	11	1	-	-	133
TOTAL PERMANENT	3 121	500	370	296	8 714	2 004	773	708	26	43	16 555
Temporary employees	83	24	2	1	186	41	5	2	-	-	344
GRAND TOTAL	3 204	524	372	297	8 900	2 045	778	710	26	43	16 899
ACI as % of total of South African associates	Male 93%				Female 94%				Total 94%		

DISABLED WORKFORCE PROFILE - MARCH 2017

Occupational levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	-	-	-	-	-	-	-	1	-	-	-
Senior management	-	-	-	3	-	1	1	4	-	-	1
Professionally qualified	6	1	1	3	20	9	3	11	-	-	9
Skilled technical	12	-	1	-	55	9	8	1	-	-	54
Semi-skilled	3	-	2	-	1	-	1	-	-	-	86
Unskilled	-	-	-	-	-	-	-	1	-	-	7
TOTAL PERMANENT	21	1	4	6	76	19	13	17	-	-	157
Temporary employees	-	-	-	-	-	1	-	-	-	-	1
GRAND TOTAL	21	1	4	6	76	20	13	17	-	-	158
ACI as % of total of South African associates	Male 82%				Female 86%				Total 85%		

Enterprise and supplier development (includes preferential procurement)

Supplier development

The group uses robust due diligence processes to ensure all interventions meet the definition of the BEE supplier development criteria, have a strong business case and are sustainable and meaningful to all partners.

The partnership with the Sustainable Cotton Cluster (SCC), the Innovative Integrated Cotton Supply Chain Programme (ISCP) and the financial support provided to qualifying farmers has re-ignited the local cotton growing industry. This initiative has increased the economic wealth of black cotton farmers, created jobs and improved farming standards by introducing Better Cotton Initiative (BCI) standards. There is also a higher South African content in products, while still meeting the value expectations of our customers - a true demonstration of partnership in action. For further information refer to page 45.

Enterprise development

The three-year partnership with The Clothing Bank (TCB) has been another success story of how passionate people can partner to make a significant contribution to the economic wealth of other South Africans.

A registered NPO and public benefit organisation (PBO), TCB channels donated stock through an enterprise development programme. The programme initially focused on unemployed mothers, but has been extended to include men as well as a group of sewers and cobblers. The programme aims to break the cycle of poverty and for the participants to become self-sufficient through training and mentorship centred on basic business and life skills. Since inception in 2014, the amount of stock donated to TCB has increased significantly and exceeded 700 000 units over the period. In F2017 over 700 entrepreneurs were supported by TCB's programme. Further information on TCB and its activities can be found at www.theclothingbank.co.za.

Preferential procurement

Procurement practices across the group are continuously reviewed with an expectation of B-BBEE compliance for all South African suppliers. The challenge remains finding suitable local manufacturing capacity, capability, competency and compliancy to produce the required merchandise and address the need for more local production to more swiftly respond to changing customer needs. Refer to the value chain section below where the efforts to support a local supply base are highlighted. 74.5m units (R3.5bn) was sourced from South Africa which represents 35.1% of total units inputs purchased, or 45.3% including territories in SADC.

Socio-economic development

The group's donation to MRP Foundation meets the socio-economic development target set out in the BEE scorecard. The strategic importance of the foundation's activities is discussed above and further information can be found at www.mrpfoundation.org.



VALUE CHAIN

Responsible sourcing

Suppliers are expected to comply with the group's Supplier Code of Conduct, which includes requirements regarding the environment, labour, ethics and health and safety regulations. The Supplier Code of Conduct is located on our website at www.mrpricegroup.com.

Partnerships

The group collaborates with the following organisations to identify opportunities for developing sustainable solutions for the business, value chain and industry at large:

- Supplier Ethical Data Exchange (SEDEX),
- Ethical Trading Initiative (ETI);
- Sustainable Cotton Cluster (SCC);
- KZN Clothing and Textiles Cluster (CTC); and
- MRP Foundation (JumpStart).

Supplier Ethical Data Exchange (SEDEX)

SEDEX is a not-for-profit membership organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains. The database is a valuable tool to record supplier business ethics, labour, health and environmental practices to enable the risk assessment of suppliers in accordance with these metrics. For further information refer to www.sedexglobal.com.

The group's global supply chain mapping has progressed well as the number of suppliers with SEDEX membership has increased from 301 (2015 financial year) to 534 (2016 financial year) and 1 016 in the year under review.

The direct first-tier mapping covers approximately 80% of all trade suppliers. The mapping of second-tier suppliers is progressing well and remains a key focus area for the resource teams as visibility and transparency are required to ensure the supply chain is sustainable, efficient, effective and compliant.

Ethical Trading Initiative (ETI)

The ETI is a leading global alliance of companies, trade unions and NGOs promoting respect for worker rights. The group is committed to ethical trade and has partnered with ETI to participate in collectively tackling the many issues that cannot be addressed by companies working in isolation. The group reports annually to ETI on its progress. The group has achieved improver stage for implementation on all ETI principles. For further information refer to www.ethicaltrade.org.

Sustainable Cotton Cluster (SCC)

The group is committed to developing the country's cotton industry and has partnered with the SCC to secure a sustainable local cotton value chain unlocking value for all stakeholders (from the farmer to the consumer).

This is a leading initiative and a remarkable move towards business, government and civil society working together to address national priorities for creating jobs and unlocking potential in the country. The group is proud to have been involved as the foundation retail member. A traceability system, developed to capture data and provide valuable intelligence to the industry, ensures claims made to the customer hold integrity. The system captures data on cotton production social, environmental and labour standards and tracks the product movement through the value chain to provide visibility and business intelligence.

Since the group's first cotton commitment to the SCC four years ago, a significant increase in the collective commitment among local cotton producers and industry players has translated into bold targets being set to grow the industry. The SCC is targeting a 446%

increase in cotton production by 2019 to be achieved through the growth of small-scale and dryland commercial production.

The group's commitment to the cotton industry, through the Sustainable Cotton Cluster, has given local cotton farmers assurance that their crop will be procured. This commitment has reduced the inherent risk faced in the cotton farming industry, and thus 2 677 jobs have been created/secured. A particular positive impact can be seen in the fact that 42% of these jobs can be attributed to small-scale farmers. Since baseline year 2013 and current forecasts, seed cotton production hectares has grown by approximately 152%.

The group committed to 2 800 tons in the current financial year, with the final figure being 1 300 tons. The impact of the drought on the national crop season last year was significant, resulting in only half the planted crop being available at the required quality specification. The group is committed to 2 800 tons in new financial year.

A key environmental focus of the SCC was establishing a partnership with the BCI, thereby aligning South Africa's cotton production to BCI standards, a globally sought-after standard of cotton production that ensures the environment and community are considered. The 2017 harvest is aligned to BCI standards and enables the group to deliver cotton of this standard to its customers. As South Africa is a water-scarce country, targets to increase small-scale rain-fed cotton production aligned with these standards is a key focus to reduce the impact on water and the environment.

For further information on the cluster's activities, refer to <https://sustainablecottoncluster.wordpress.com> and www.cottonsa.org.za.



KwaZulu-Natal Clothing and Textile Cluster (KZNCTC)

The KZNCTC is a public-private partnership (PPP) between the government, learning institutions and the local clothing, textiles, footwear and leather (CTFL) industry. The KZNCTC works with the whole KwaZulu-Natal value chain to develop competitiveness from raw material production to retail. It is an industry-driven initiative drawing on the experience and leadership of member firms. For more information refer to www.kznctc.org.za.

The partnership with the KZNCTC has been a valuable one as the group has been exposed to new thinking, knowledge sharing opportunities and invaluable research. This year the group partnered with the KZNCTC in developing and testing a supplier due diligence tool to promote industry-wide compliance to social, economic and environmental standards and will facilitate adopting manufacturing best practices.



ENVIRONMENTAL

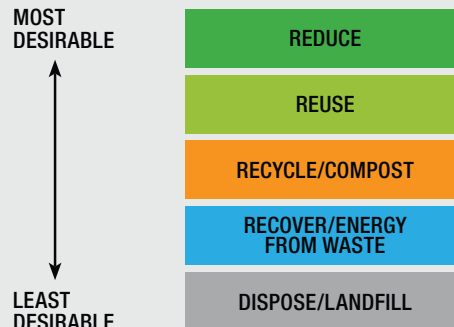
Commitment

The group's purpose "to add value to customers' lives and worth to partners' lives, while caring for the communities and environments in which we operate" defines the group's environmental commitment, further reinforced by the values of "passion, value and partnership".

The environmental commitment provides guidance for the group's environmental framework by describing the values in the partnership with society and the planet. It guides associates to be more conscious of impacts and to take steps to ensure the involvement with the community and planet are positive. Earth is viewed as a business partner and we target eliminating harmful impacts or wasting natural resources by ensuring the processes, systems and activities of our business facilities, products and operations are as efficient as possible. Understanding and responding to the significant environmental impacts is an ongoing process.

Reduce, Reuse, Recycle

The group is committed to the principles of reduce, reuse and recycle, a globally accepted waste hierarchy.



Energy

Lighting

Opportunities to reduce energy usage through more efficient lighting technology, energy monitoring, energy awareness and user behaviour were identified and progressed primarily at stores, DCs and head office.

Energy use is a key sustainability indicator and major operational expense. Since 2013 the carbon footprint has been reduced by approximately 40.7 million kWh (40 446 tons CO₂ emissions).

The group has benefited from various initiatives to reduce electricity costs and impact on the environment. This includes installing two roof-top solar photovoltaic systems at head office complex that generate 20% of the required energy for two of the divisions, retrofitting lighting in certain stores, introducing LED lighting in all new stores and improving associate behaviour around energy use. The energy management plan continuously evaluates and assesses opportunities to reduce CO₂ emissions.

The new DC is equipped with low energy LED lighting, while air conditioning has been substituted by natural ventilation. A solar photovoltaic system has been installed on the roof designed to generate approximately 257 306 kWh annually.

The group recently partnered with the Council for Scientific and Industrial Research (CSIR) and National Cleaner Production Centre (NCPC) to develop a comprehensive energy management system and a group energy policy to fully integrate energy management into organisational business structures

Heating and cooling systems

Together with the CSIR and NCPC, the group is assessing the heating, ventilation and air-conditioning (HVAC) systems at the head office complex and in selected stores with a view to

identifying opportunities to further improve energy efficiency.

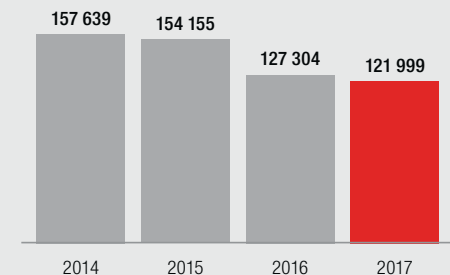
A thicker grade of roof insulation has been used at the new DC to reduce the heat in the building and avoid mechanical ventilation. Variable refrigerant flow (VRF) air-conditioning systems have been installed in the DC offices and heat pump water heating processes are used instead of conventional geysers.

Fuel usage

The group's contracted courier has fitted all vehicles with an idling cut-off system that does not allow the vehicle to idle for more than three minutes, thereby saving fuel and emissions. Additionally, vehicles run with the latest technology relating to fuel consumption and the route master is reviewed and evaluated quarterly to ensure the fewest kilometres are driven per delivery. The group's courier partner has achieved a further 4% improvement on fuel consumption (over the 14.5% improvement the previous financial year). This means on outbound transportation vehicles, there was a reduction of 320 000 litres of diesel when compared to the prior year (prior savings equated to 1.3 million litres of diesel).

Carbon footprint

The graph below represents the group's South African carbon footprint (tonnes of CO₂) based on scope one and scope two emissions (including stores, head office and DCs).





Water

At head office, an opportunity for drinking water that is cost effective, healthy, kind to the environment and sustainable has been explored and is being implemented. Restrictors have been placed on taps and awareness around the need to conserve water is ongoing. At the new Hammarsdale DC, the 1.3 million litre water catchment tank will provide all its water needs. The group is liaising with landlords around store water usage data to identify potential savings.

Other activities

The reduced use of paper and related consumables at head office through double-sided printing and paperless working is strongly encouraged. Printer cartridges are recycled and remanufactured, reducing the need for virgin plastics and reducing the carbon footprint.

All chains have implemented electronic till slip option in stores. This initiative gives customers the option to have their till slip emailed to them instead of being physically printed out in-store which results in both a saving in paper and cost. Since August 2016, over 1 000km of paper has been saved.



Paperless administration was implemented at stores, resulting in a significant reduction in paper and consumables due to a more electronic transactions.

For the period under review, the project has saved over 3 million sheets of A4 paper and approximately 2 600 printer cartridges across all divisions in the group, contributing to environmental as well as cost savings.

Introducing standardised carton sizes has enabled better re-use of cardboard boxes. Currently 40% of all cartons transferred out from the pick face at the DC are reused supplier cartons. The DC also repairs and re-uses wooden crates and pallets. mrpHome has introduced a higher quality box for furniture transportation which enables it to be re-used approximately three times as well as contributing to reduced in transit damages and breakages.

The Clothing Bank partnership ensures that all unsaleable merchandise is donated, contributing to reduced waste.

Suppliers involved in the MRP Foundation JumpStart programme have attended a nine-week lean manufacturing programme with the focus on assisting suppliers identify and eliminate waste; implement total quality management to ensure maximum productivity and increase commercial viability.

Recycling

Recycling programmes at the head offices and DCs have been in place for a number of years.

The group head office's average recycling rate is 87% and the DCs are achieving a rate of 98%.

AWARENESS

Associates

There have been numerous campaigns to educate associates on environmental sustainability, such as Earth Hour, Recycling Day and Water Day as well as other communications through stories around the positive impact and progress of the group's initiatives.

An online sustainability module, launched in April 2016, creates awareness around environmental, social and governance aspects. The group's sustainability agenda is presented to new associates as part of the retail induction programme and the DC has regular awareness and training through the DC Topics sessions. These sessions disseminate knowledge on correct methods of waste disposal and recycling like the safe disposal of fluorescent tubes. Monitoring and reporting on general waste disposal forms part of the safety representative checklist.

Community

MRP Foundation's schools programme also teaches learners about the environment. The programme creates awareness and action around

environmental sustainability in schools and the surrounding communities and supports education for sustainable development (ESD) in the national curriculum.

PARTNERSHIPS

The group's WWF Corporate Network Partnership provides thought leadership and is a critical friend to ensure the group considers material environmental impacts.

The BCI partnership with Cotton SA and SCC ensures South African cotton production is aligned to BCI standards.

The group holds a seat on the BUSA environmental committee to have access to and input on current and draft environmental legislation.

